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**SECURITY INFORMATION**

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**CURRENT INTELLIGENCE DIGEST**

**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

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State Dept. review completed

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EASTERN EUROPE

1. Hungary reduces surrender obligations for crops hit by drought: Hungarian Minister of Crop Collection Imre Nagy recently stated that the surrender obligations of working peasants for corn, potatoes, sunflower seeds and forage have been reduced because of drought damage to crops. Nagy declared that the rumors of the return of rationing which caused a scare-buying wave last weekend were enemy propaganda and pointed to the lifting on 7 September of restrictions on the free marketing of cereals as proof of the adequacy of food supplies. 25X1

Comment: The campaign to force peasants to surrender crop quotas is still in progress, despite Nagy's reassuring speech, and the Budapest newspapers and radio have carried accounts of punishment of local and party officials who were accused of leniency toward kulaks. However, recently there have been indications that the government would appease peasant discontent by sacrificing a few overzealous local officials.

2. New Rumanian administrative divisions discussed: The American Legation in Bucharest reports that reduction of Rumanian administrative divisions from 28 to 18 will probably facilitate centralized control by the regime.

The new regions are modifications of the basic changes which were made in 1950 for the purpose of abolishing the "artificial separation" of industrial and agrarian centers and bringing all agricultural districts of the country into close contact with at least one industrial center. After two years' experience with the new breakdown, the regime had decided to eliminate some of the weak or small regions which burdened the state budget and "lacked both industrial centers ... and the general facilities corresponding to the requirements of a regional capital." 25X1

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Comment: Although there has been no official announcement, it appears that Article 18 of the draft Rumanian constitution which set up these new regions may already have been put into effect. Another provision of the new constitution, the setting up of a Ministry of State Farms, was carried out on 13 July, five days before publication of the draft.

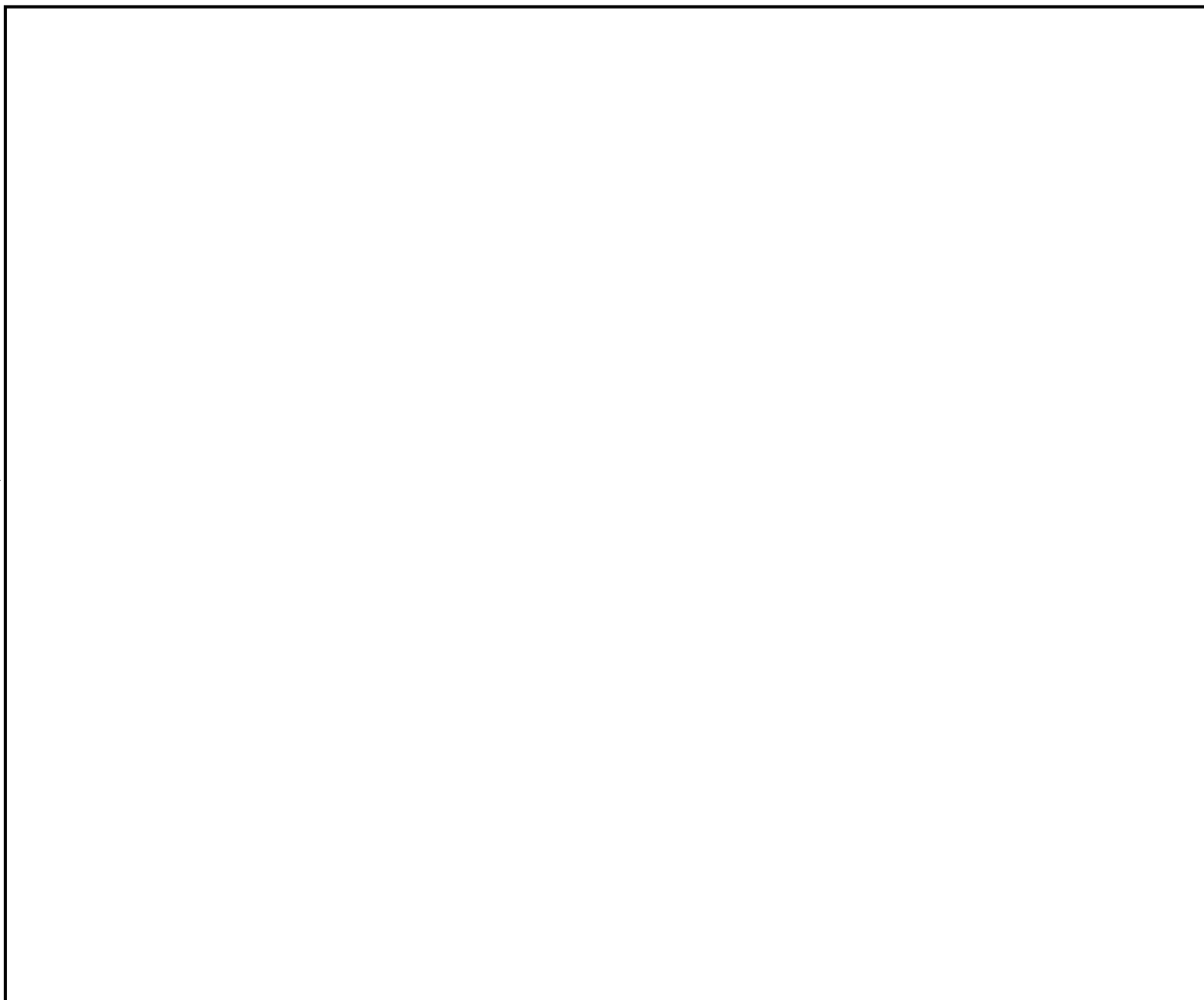
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FAR EAST

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4. Chinese Communists plan "autonomous" administration for western Sikang Province: Peiping Radio announced on 4 September that all minority groups in Sikang Province of Southwest China will have autonomous rights by the end of 1952. Local administrations to be set up will correspond to the ethnic distribution of the population. Homogeneous areas will have "regional national autonomous governments," and areas of mixed nationality will have "joint autonomous governments of the nationalities."

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Comment: A Tibetan Autonomous Regional Government, subordinate to the Sikang Provincial Government, was inaugurated in November 1950 and has had jurisdiction over most of Sikang

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east of the Yangtze River. Over the past two years, in the process of taking over Tibet, the Chinese Communists have been consolidating control over the rest of Sikang, stretching 400 miles west of the Yangtze River. The Peiping announcement that western Sikang will have an administration corresponding to that for eastern Sikang suggests that the Sikang Provincial Government will now assert control over the western part of the province in fact as well as in name.

Indications are that this area, traditionally under the influence of the Lhasa regime, is experiencing tighter Chinese control, under the guise of autonomy, because the Chinese do not trust their collaborators in Lhasa.

5. Peiping reports first locomotive made entirely in China: The Ssufang railway workshop near Tsingtao completed the first locomotive made entirely in China on 26 July, according to a Peiping news broadcast. The locomotive tested well, running at 75 kilometers (45 miles) an hour and pulling 3,000 tons of freight. The use of Soviet methods enabled the workers to make parts which formerly had to be imported. [REDACTED]

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25X1 [REDACTED]

Comment: The emphasis in this news item is the phrase "made entirely in China." Several large workshops in Manchuria and two in China proper, including the one at Ssufang, have produced locomotives, using imported wheels, air brakes, couplers and other specialized fittings. It is estimated that, by using a few imported parts, about 65 to 70 locomotives a year can be manufactured in Manchuria and China proper. Actual production is unknown, but may be less than capacity because of heavy repair and maintenance demands on China's railway workshops.

6. Formosa's minority parties will not enter candidates in December elections: Formosa's minority parties, the Democratic Socialist Party and the Young China Party, have "given up completely" plans to enter candidates in the December elections. The last election, two years ago, was almost completely controlled by the Kuomintang through the secret police. Non-Kuomintang candidates were discriminated against and even mistreated.

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However, some members of the Democratic Socialist Party, who are also members of the Kuomintang, may run in the elections in order to protect their government positions.

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Comment: Non-Kuomintang Party members have been very ineffective in the government. The Kuomintang has found that the presence of non-party members in the government protects it against criticism as a "one-party" regime.

NEAR EAST - AFRICA

7. Ambassador Caffery analyzes Egyptian situation: Ambassador Caffery believes that the Egyptian Government has probably entered a period of relative stability and that its domination by the military is likely to continue until the elections promised for January and possibly longer. He warns that the military group will be so occupied with the complex internal situation during the next few months that it will probably do nothing about external issues, like MEDO or the Anglo-Egyptian question.

Caffery believes that the Egyptian officer clique wants a "general working alliance" with the United States but not with Great Britain. Egyptian reserve toward the British arises partly from nationalism in the army, where there is much sentiment for "evacuation before negotiations." At present, he states, the Egyptian military has no interest whatever in even talking with the British; he adds that it would be unwise for the United States at this time to try to associate Britain in any talks with the Nagib government.

The Ambassador warns, nevertheless, that the Egyptian military may be unable to control the forces it has released and that it may change its present objectives. Such possibilities may be decreased, he adds, by a constructive United States approach, particularly in the technical assistance field.

- 25X1 [REDACTED]
8. Moroccan official protests France's conduct of Morocco's foreign relations: The Moroccan Grand Vizir as the highest official in the Maghzen, the Sultan's government, presided over a meeting on 4 September of Residency and Maghzen officials called by the French Resident General to discuss

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the recent World Court decision upholding American treaty rights in Morocco. [ ] the Grand Vizir told the Resident during this meeting that since France had not consulted the Maghzen about taking the case to court, the Resident alone should solve the problems created by the decision. [ ]

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Comment: French action in holding a joint meeting of Moroccan and French officials is unprecedented. In view of a possible UN discussion of France's methods of control in Morocco, this meeting probably is an attempt to belie France's direct administration.

The Grand Vizir voiced the major Moroccan complaint against France -- unilateral conduct of the country's foreign relations without consultation with its chief of state. The statement also lends credence to the report from another source that the Sultan will soon petition the International Court of Justice to force France to abide by the Treaty of Fez, which established the French protectorate in 1912, in the conduct of Moroccan foreign affairs.

9. Tunisian nationalists prefer present political impasse to a mortgaged future: In commenting on the Bey's rejection of French proposals for reforms, which his letter to the President of the French Republic reportedly contained, [ ] stated that continuation of the present impasse with the French "for years" would be preferable to the offered reforms which would implant France more deeply in Tunisia and thus mortgage the birthright of future generations.

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They also stated that no counterproposals were made because the Resident General submitted the program on a "take it or leave it" basis. Moreover, if the French desire to know what the Tunisians would accept, they can read the Bey's 1951 speech from the throne and the Chenik note of 31 October 1951. The next move therefore is up to France. [ ]

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Comment: Tunisian desires for self-government were implicit in the throne message of 15 May 1951 as well as explicit in Prime Minister Chenik's demands for a "homogeneous administration" on 31 October 1951. The protocols of the French drafted legislation, which were submitted to the Bey last July, indicate no relaxation of French control, although the organs for its maintenance were revamped.

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WESTERN EUROPE

10. Soviet officials in Vienna shun trade talks with Austrians: Austrian Foreign Minister Gruber has informed the American Embassy that Soviet Political Adviser Kudryavtsev, whom he met at the Vienna Trade Fair, professed no knowledge of an Austrian note offering to open trade negotiations. Neither he nor any other Soviet official showed any desire to talk about possible Austro-Soviet trade.

The Austrian Foreign Ministry interprets this as evidence that its note thwarted Soviet plans for an intensive propaganda barrage on behalf of East-West trade. If this barrage should later materialize, the Austrians believe that release of the Austrian note will "demolish" the Soviet position. [REDACTED]

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Comment: It is too early to determine the probable Soviet reaction to the Austrian note. The Austrian Foreign Ministry, which disregarded American objections in making the offer, is anxious to demonstrate that its action has had favorable consequences.

LATIN AMERICA

11. Argentine armored unit moved from Buenos Aires to north-eastern province: The 8th Cavalry (Tank) Regiment, one of the principal armored units stationed near Buenos Aires, has reportedly been moved north from Campo de Mayo to either the Province of Entre Rios or the Province of Corrientes. The exact purpose of this movement is not known. [REDACTED]

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Comment: The troop movement may reflect Peron's knowledge of reports that a revolt involving civilians and some army personnel is scheduled to begin in unnamed provinces this month.

Brigadier General Filomeno Velazco, a former governor of Corrientes, has been reported to be a leader in plans for an army coup. Whether this attempt is to be part of the revolt reportedly planned for this month is not known. Peron's suspicion of the general was indicated at the recent conference of governors where Velazco was charged with corruption during his governorship.

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